

CHELAN-DOUGLAS PUBLIC TRANSPORTATION BENEFIT AREA
DBA LINK
Chelan County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Link's Business Relationship With TransLink Should Be Governed By An Adequate Written Contract

In 1994, Link incurred expenses of \$1,010,499, approximately 20 percent of its total operating expenses, for the cost of paratransit services provided by TransLink, a private nonprofit corporation. The entire amount of the expense was pursuant to billings from TransLink, however, the only written agreement between the two entities was a "letter of understanding" which established the hourly rate to be charged by TransLink. The letter contains no agreed upon method for Link to verify that hours billed by TransLink accurately reflect the services provided, nor does it provide any means for Link to ensure an acceptable level of control over the cost and quality of its paratransit services. As a result, Link is unable to provide reasonable safeguards over the expenditure of public resources. As of the date of our report, this is still the case.

Our investigation during this and previous audits revealed that Link management has been in various stages of developing an adequate contract with TransLink for at least two years, but the Link governing board has failed to approve such a contract and require that it be put in place.

We recommend the Link board enter into a written contract with its paratransit service provider that will govern the business relationship between the two entities. We further recommend the contract contain language that provides Link with a reasonable means to verify that costs billed by TransLink accurately reflect the services provided.

2. Link Should Comply With Its Official Purchasing Policies

The paratransit services provided by TransLink for Link were not procured through a competitive bidding procedure, as required by Link's official *Purchasing Policies*.

Link's *Purchasing Policies* were adopted by board Resolution 93-04 in March of 1993. Section 1-101 PURPOSE of the *Purchasing Policies* states:

The purpose of this policy is to provide for the fair and equitable treatment of all persons involved in public purchasing by Link, to maximize the purchasing value of public funds in procurement, and to provide safeguards for maintaining a procurement system of quality and integrity.

Section 1-201 DEFINITIONS, paragraph 10 of the *Purchasing Policies* defines contract as follows:

Contract. All types of agency agreements, regardless of what they may be called, for the procurement of supplies, services or construction.

Section 4-106 COMPETITIVE SEALED BIDDING, paragraph 1 of the *Purchasing Policies* states in part:

Conditions for Use. All contracts of Link in excess of \$10,000 shall be awarded by competitive sealed bidding except as otherwise provided in Section . . . 4-107 (Negotiated Procurement) of these Procedures.

Section 4-107 NEGOTIATED PROCUREMENT states in part:

2. Request for Proposals. Proposals shall be solicited through a Request for Proposals.
3. Public Notice. Adequate public notice of the Request for Proposal shall be given a reasonable time, not less than 30 calendar days, prior to the date set forth therein for the opening of proposals . . .
7. Award. Award shall be made to the responsible offeror whose proposals are determined in writing to be the most advantageous to Link

Link has never received a formal bid or proposal from TransLink for the paratransit services provided by TransLink. Link recently solicited proposals for paratransit services through a formal Request for Proposals (RFP), but TransLink declined to submit a proposal. The Link board subsequently rejected all proposals received and continued contracting for those services with TransLink. By failing to abide by the terms of its *Purchasing Policies*, Link has circumvented the system of safeguards which it established to meet the stated purpose of the policies. The risk of failure "to maximize the purchasing value of public funds in procurement" is therefore increased.

We recommend the Link board take steps to ensure that Link procures services in accordance with its *Purchasing Policies*.